Pearl Meyer

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Gender Pay Issues are ESG Issues



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Transcript

Mark: We've identified the waterfront, or rather we've identified where the waterfront is. There are significant issues along the way, but what are the hot things that people are talking about now that compensation committees have begun to address? Deb, can you define pay gap versus pay equity?

Deb: Yeah, pay gap is a broad issue. It's if you take a population and you compare the median of what women are making compared to the median of what men are making, what's the difference in those two numbers? Pay equity is a different issue. Pay equity is something most of the population thinks about, which is equal pay for equal work. So if I have two people holding the same position, are they being paid equal despite the fact that one is a man and one is a woman?

David: Pay equity is really a part of that subset of long-term corporate social responsibility, which is the idea of providing a nondiscriminatory environment. So you should not get paid less simply because you are a woman and your boss has got very stereotyped views of what women are willing to contribute or able to contribute in the work environment.

Deb: And that's heavily regulated.

David: It's heavily regulated. It's actually illegal to do that. The same if you do it based upon race, ethnic origin, religion. There are some protections there. I have a couple of clients that have decided that the way to deal with the pay gap is pretty simple. It is to require that management report to them regularly about what the population is at different levels of the organization and demonstrate progress, that women are being promoted relatively faster than men, as they're being provided these opportunities. And I think that actually makes a whole lot of sense, and it's something a committee can do to start to focus on this. Because these are not things that can be changed overnight, even though some people would like them changed overnight.

Sharon: And I think that the hard part is helping management teams be prepared to answer those questions when they start coming in from their employees. And that's where I think there are opportunities for the committee to work with management to get their messages straight. Because they are starting to get questions, being HR departments, even senior management teams, again, to say, “We are paying equitably. We don't have a pay gap here.” Because the questions are about pay gap, not the equity piece, and being able to tell employees and really reassure them, regardless of where they are, regardless of level, that they're being paid fairly as compared to the market based in their role, based on their experience, based on where they sit within the organization, as opposed to you're getting paid more or less because of your gender or your race or your ethnicity. And the talking points just aren't clear yet. And I think that there's a lot of work to do there.

David: Sharon, is that as much about showing people that they've got equal opportunity as it is saying, "You're not being discriminated against?"

Sharon: Absolutely. I think people are concerned that they don't ... Or they're hearing it in the mainstream, so they're thinking, "Maybe I don't have as much access to opportunities or promotions or movements in the organization because I'm a woman, because I'm a

person of color, because of how I identify." And I think the diversity and inclusion issue coupled with the pay equity issue is a big one for compensation committees, boards, and senior management to really think about and how they're going to address that broadly with their own workforce.

Mark: So again, this gets back to setting the tone at the top and having the compensation committee bring these concepts up and asking management what they're doing about it.

About the Authors

Mark is a consulting team leader who brings 20+ years advising on executive and board pay, including benchmarking, retirement plan design, and tax/accounting and governance considerations.

Deb advises on executive compensation from a legal and regulatory perspective, including securities disclosure, tax and governance matters, contract negotiation, and reasonableness opinion letters.

Sharon brings 25+ years guiding executive and broad-based pay communications and disclosure, helping boards and management manage change and respond to investor and proxy advisor scrutiny.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.